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6. An explanation of the rule, including the agency's reasons for initiating the rulemaking:

A.A.C. R14-4-135 ("rule 135") provides an exemption from registration with the Arizona Corporation Commission ("Commission") for securities that qualify for federal registration with the United States Securities and Exchange Commission ("SEC") under the Multijurisdictional Disclosure System.

On July 1, 1991, the Multijurisdictional Disclosure System ("MJDS") became effective upon its implementation by the SEC and regulatory authorities in Canada. (SEC Release No. 33-6902; SEC Release No. 34-29354). The MJDS provides a mechanism for reciprocity in cross-border offerings of securities between the U.S. and Canada. The basis for this reciprocity is the principle of mutual acceptance of the home jurisdiction's disclosure requirements and securities registration review procedures. Under MJDS, a Canadian issuer that qualifies as a "substantial issuer" is able to use a registration statement prepared in accordance with Canadian requirements to offer its securities in the U.S. Such an offering may be part of a simultaneous offering in the U.S. and Canada, or it may be made only in the U.S. Except in special circumstances, the SEC will not conduct a review of the registration application in addition to the Canadian review for Canadian MJDS securities offerings. For offerings made simultaneously in both jurisdictions, the registration of the offering of securities will automatically become effective with the SEC when it is cleared by the Canadian securities regulator. Offerings made only in the U.S. will automatically obtain SEC effectiveness within a specified number of days after filing.

In order to accommodate MJDS offerings, the Commission adopted rule 135 in 1991, providing an exemption for MJDS offerings effective with the SEC, as long as a filing had been made with the Commission seven days before an offering in Arizona was made.

Since adoption of rule 135, the review period in Canada has been reduced. The Commission amended rule 135 so that offerings filed pursuant to the MJDS system become effective in Arizona upon the effective date with the SEC, provided that before the offer is made a prospectus or offering circular is filed with the Commission and the requisite fee is paid.

The impetus behind the original rulemaking was the encouragement of legitimate capital raising activities across national borders. Removal of the seven-day period underscores this original intent; predicated the exemption on the securities registration being effective with the SEC and offering materials being filed with the Commission ensures investor protection.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

Pursuant to A.R.S. § 41-1055(D)(3), the Commission is exempt from providing an economic, small business, and consumer impact statement.

10. A description of the changes between the proposed rule, including supplemental notices, and the final rule:

None.

11. A summary of the comments made regarding the rule and the agency response to them:

The Commission did not receive written comments to the rule.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None.

13. Any material incorporated by reference and its location in the text:

None.

14. Whether the rule was previously made as an emergency rule and, if so, whether the text was changed between the making as an emergency and the making of the final rule:

Not applicable.

15. The full text of the rule follows:

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND

ASSOCIATIONS; SECURITIES REGULATION

CHAPTER 4. CORPORATION COMMISSION

SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Section

R14-4-135. Exempt Securities – Multijurisdictional Disclosure System

R14-4-135. Exempt Securities – Multijurisdictional Disclosure System

An offering of securities within this state which has been declared effective with the U.S. Securities and Exchange Commission (the “SEC”) on Form F-7, F-8, F-9, or F-10 shall be added to the class of securities exempt under A.R.S. §44-1843, provided that before an offer is made in Arizona:

1. A prospectus or an offering circular, the standards of form or content which are prescribed by any provision of the Securities Act of 1933, or rules and regulations promulgated thereunder, and Form F-7, F-8, F-9, or F-10, whichever is applicable, shall be filed with the Commission ~~at least seven days before the offering is made~~; and
2. A nonrefundable exemption fee as provided in A.R.S. § 44-1861(G) shall be paid to the Commission.